

SAUDI INVESTORS INC.

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SECTION I

SAUDI INVESTORS INC.

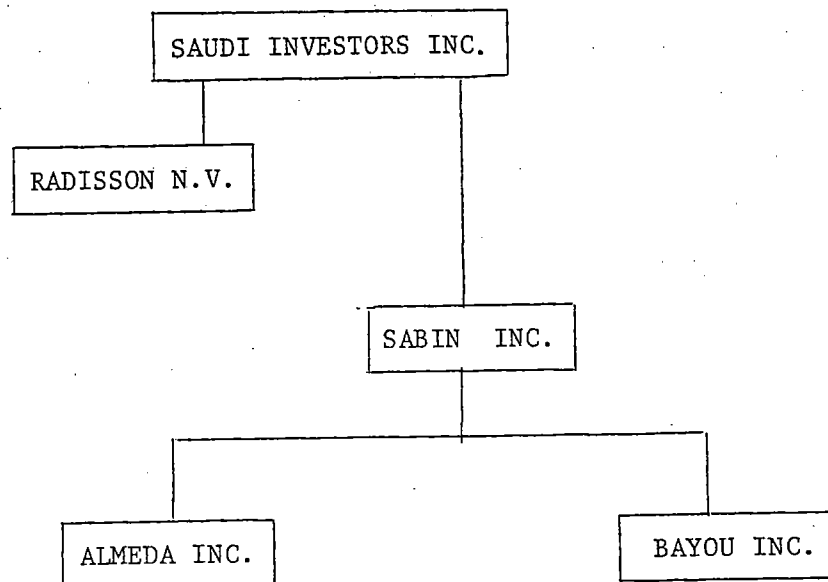
Saudi Investors Inc., is a Panamanian Company which has been formed to accommodate, as shareholders, the individuals who have already invested or may wish to invest in the future in real estate projects.

At the moment interests have been acquired in two real estate projects both of which are situated in the U.S.A. These projects are residential housing units known as:

- (i) Imperial Plaza (investment made in February, 1980)
- (ii) Woodgate West (investment made in March, 1983)

Imperial Plaza is located in Richmond, Virginia and Woodgate West in Houston, Texas. Both projects are described in detail in Section III and IV.

For reasons of security, taxation and ease of administration the interests in these projects have been acquired by wholly owned subsidiary companies of Saudi Investors Inc., and the present position may best be explained by reference to the following diagram:-



Each of the companies shown on this diagram will be separately described in Section II but before moving forward to these descriptions the following points should be noted by way of explanation of the above diagram.

1. The Investment

Because of the systems of taxation in the U.S.A. individuals who would normally pay taxes at the higher rates on their income frequently take a share in a real estate project as a method of mitigating their tax liability. Consequently it is very common for a large real estate project to be syndicated by dividing the project into shares which are marketed in rather the same way as company shares on the Stock Market.

The common features of such a syndication are:-

- (a) that a Partnership is formed between a U.S. company, formed especially for the purpose and those individuals who wish to invest.
- (b) the U.S. company is called the General Partner and undertakes certain responsibilities under U.S. law. The investors are called Limited Partners and are so called because their financial liability in the event of the investment failing will never be greater than the amount originally invested by them.
- (c) the Partnership (that is to say the U.S. company + the investors) own the real estate.
- (d) a management agreement is entered into by the Partnership with a company experienced in the day to day administration of real estate and who will be responsible for making the income distribution each year.

The investment therefore takes the form of a partnership interest and the size of that interest is determined by the amount of money that is invested.

2. Saudi Investors Inc. Method of Participation.

General.

In the cases of both of the existing projects Saudi Investors Inc., bought all of the Limited Partnership interest and consequently is